MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210)

BFN2244 – FINANCIAL STATEMENT ANALYSIS

(All Sections / Groups)

15th February 2023
2:30 p.m. – 4:30 p.m.
(2 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 7 pages with **FOUR (4)** Questions only. (Including Front Page and Consolidated Financial Statements)

2. Answer **ALL** questions.

3. Write your answers in the Answer Booklet provided.

QUESTION 1 & 2

Malaysian Pacific Industries Berhad ("MPI") was incorporated in Malaysia under the Companies Ordinances 1940 to 1946 as a private limited company on 5 October 1962 under the name of Federal Paper Products Limited. It was converted to a public company on 21 April 1969. The name was changed from Federal Paper Products Berhad to MPI on 25 May 1983 and was admitted to the Official List of the Kuala Lumpur Stock Exchange (now known as Bursa Securities) on 29 September 1983. MPI has 3 key operating subsidiaries and 4 manufacturing operations, of which three are located in Malaysia and one in China.

Chairman's Statement

The global demand for semiconductors reached a new high in calendar year 2021 with an annual growth rate of 26% to US$555.89billion in global semiconductor revenue driven largely by the digitalization push during the Covid-19 pandemic and the resulting strong demand throughout the year for data centres, smartphones, consumer electronics, PCs, notebooks and PC accessories. The rapid transition to electric cars, autonomous driving and vehicle connectivity has caused a significant demand for semiconductor chips. The adoption of 5G, Artificial Intelligence, and sensing devices provided another catalyst for growth.

However, the lock-down and restrictions imposed due to the pandemic have caused significant disruptions to the supply chain and higher cost of doing business. Manpower shortage due to high demand for semiconductor industry skills and recruitment complications including restriction on intake of foreign workers have affected production and delivery.

The Group has strategically positioned ourselves to take advantage of the current global demand for semiconductors and to mitigate the challenges to achieve a record revenue of RM2.4 billion, a year-on-year revenue growth of 22% in FY2022. The profit attributable to owners of the Company was RM329 million, a year-on-year growth of 21%. Our business also generated a healthy cashflow allowing us to reinvest RM745 million for expansion and to pay a dividend of RM70 million to our shareholders.

The Group remains cautiously optimistic on the prospects for the coming year with the latest World Semiconductor Trade Statistics forecasting another growth of 7.4% for the global semiconductor revenue in 2022 whilst challenges remain with rising inflation, continuing manpower shortage and supply chain interruption. However, we are committed to improve our operational efficiencies with more automation and digitalisation and enhance our sales pipeline through research and development to truly add value to our customers and target sectors.

I am pleased to report that we have fulfilled the globally recognised standards and qualified for inclusion into the FTSE4Good Bursa Malaysia ("F4GBM") Index on 20

Continued...

June 2022. The F4GBM is a recognition given to qualified public companies listed on Bursa Malaysia Securities Berhad which has demonstrated strong Environmental, Social and Governance ("ESG") practices. This represents an outstanding achievement by the Group for its strong commitment towards balancing business growth and sustainability.

I would like to take this opportunity to express my heartfelt gratitude to my fellow board members for their contributions and support. I would also like to thank our management and employees for their dedication and commitment in the work that they do every day.

Last but not least, I would like to express my sincere appreciation to our customers, business associates, vendors, financiers, shareholders and the Government for their continuous support and confidence in the Group.

Statements of Profit or Loss and Other Comprehensive Income AND Statements of Financial Position are attached on the pages 8 - 10.

QUESTION 1

a) Based on the attached **Group Statements of Profit or Loss and Other Comprehensive Income AND Statements of Financial Position,** compute the changes in revenue, gross profit, profit before taxation, profit for the year and earnings per ordinary share for the financial period 2021 and 2022.

(10 marks)

c) Based on the attached **Group Statements of Profit or Loss and Other Comprehensive Income AND Statements of Financial Position,** compute the return on equity and its component ratios (Net profit margin, total asset turnover and financial leverage) for the financial periods 2021 and 2022. **(15 marks)**

(Total: 25 marks)

QUESTION 2

a) Based on the attached **Group Statements of Profit or Loss and Other Comprehensive Income AND Statements of Financial Position,** compute the net trade cycle periods for financial periods 2021 and 2022. **(10 marks)**

b) Based on **Chairman's Review and Management analysis**, you are required to support your answer in question 1(a), 1(b) and 2(a) to show its significance to stock valuation.

(15 marks)

(Total: 25 marks)

Continued...

QUESTION 3

a) Tan Chong Nissan Bhd. is one of the three firms in the car assembly. The other two are UMW Toyota Bhd. and Bernaz Mazda Bhd. and following data is for Tan Chong Nissan Bhd. for the current year (Y0):

	M
Earnings Before Interest and Taxes	6,000
Number of Shares Outstanding	600
Depreciation Expense	500
Capital expenditure	1,000
Working Capital Investment	800
Cost of Capital	10%
Corporate Taxes	600

i) Compute the total Free Cash Flow (FCF) to the firm for TM **(4 marks)**

FCF is expected to grow at 20% per year for the Y1 & Y2 then Terminal value base on the following two comparable companies will be applied

Notes:
Operating Cash Flow for Tan Chong Nissan Bhd. at the end of year two is expected to be 8,000M and total Debt is constant at 2,800 M

Comparable Firms	Operating Cash Flow	Market Value of Equity
UMW Toyota Bhd.	5,000 M	10,000 M
Bernaz Mazda Bhd	3,000 M	9,000 M

ii) Using 2-stage FCF approach, estimate a fair corporate value for TM **(12 marks)**

b) Under prospective analysis, illustrate the factors affecting to the following projected figure.
i) Projected sales
ii) Projected depreciation
iii) Projected interest **(9 marks)**

(Total: 25 marks)

Continued...

QUESTION 4

a) Gretech Company reported net income of RM 500,000 for the year ended 2021. The following is the group's additional items. Students are required to prepare the Statement of Comprehensive Income.

i) The group purchased 100,000 Maybank Company bond at RM100 per bond at the beginning of 2021. The investment is treated as "hold to maturity". The value of the bond is RM118 at the end of 2021. The maturity date of the bond is year 2030.

ii) The group purchased 10,000 Ambank Company share at RM10 per share at the middle of 2021. The investment is treated as "available for sales". The value of the shares is RM9 at the end of 2021.

iii) The group purchased 5,000 Alliance Company bond at RM100 per bond at the beginning of 2021. The investment is treated as "Trading". The value of the bond is RM90 at the end of 2021.

iv) The group purchased 1,000 HL Company bond at RM100 per bond at the beginning of 2021. The investment is treated as "available for sales". The value of the bond is RM90 at the end of 2021. The maturity date of the bond is year 2030.

(15 marks)

b) Illustrate the strengths and weaknesses of the free cash flow valuation model in comparison to book value and liquidation value models. **(10 marks)**

(Total: 25 marks)

Continued...

Statements of Financial Position

as at 30 June 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Property, plant and equipment	4	1,511,323	1,051,200	-	10
Right-of-use assets	5	52,285	38,844	-	-
Investment properties	6	27,897	28,790	-	-
Investments	7	46	46	432,133	432,133
Total non-current assets		1,591,551	1,118,880	432,133	432,143
Inventories	9	206,279	170,226	-	-
Trade and other receivables	10	356,139	285,509	102	61
Tax recoverable		62	3,815	-	-
Cash and cash equivalents	11	964,826	985,988	245,069	217,032
Total current assets		1,527,306	1,445,538	245,171	217,093
TOTAL ASSETS		3,118,857	2,564,418	677,304	649,236
Equity attributable to owners of the Company					
Share capital	12	352,373	352,373	352,373	352,373
Reserves	13	1,811,656	1,509,133	487,966	457,813
Treasury shares		(163,816)	(163,816)	(163,816)	(163,816)
		2,000,213	1,697,690	676,523	646,370
Non-controlling interests		321,568	287,045	-	-
TOTAL EQUITY		2,321,781	1,984,735	676,523	646,370
LIABILITIES					
Loans and borrowings	15	180,100	12,856	-	-
Deferred tax liabilities	8	2,269	898	-	-
Lease liabilities		23,566	23,721	-	-
Total non-current liabilities		205,935	37,475	-	-
Loans and borrowings	15	13,170	70,708	-	-
Lease liabilities		2,781	1,588	-	-
Trade and other payables, including derivatives	16	543,813	444,320	781	2,854
Current tax liabilities		31,377	25,592	-	12
Total current liabilities		591,141	542,208	781	2,866
TOTAL LIABILITIES		797,076	579,683	781	2,866
TOTAL EQUITY AND LIABILITIES		3,118,857	2,564,418	677,304	649,236

Continued...

MALAYSIAN PACIFIC INDUSTRIES BERHAD
ANNUAL REPORT 2022

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Revenue					
- Sale of goods	17	2,414,156	1,984,752	-	-
- Dividend income	17	1,967	3,737	102,303	47,137
Cost of sales		(1,909,353)	(1,602,978)	-	-
Gross profit		506,770	385,511	102,303	47,137
Distribution expenses		(21,096)	(19,905)	-	-
Administrative expenses		(97,521)	(55,535)	(4,751)	(16,142)
Other operating income		68,971	63,703	1,268	603
Other operating expenses		(14,869)	(15,108)	-	(191)
Results from operations		442,255	358,666	98,820	31,407
Finance income	18	4,743	2,533	1,341	490
Finance costs	19	(7,619)	(3,575)	(1)	(1)
Profit before taxation	20	439,379	357,624	100,160	31,896
Taxation	21	(54,449)	(32,101)	(375)	(264)
Profit for the year		384,930	325,523	99,785	31,632
Profit attributable to:					
Owners of the Company		328,853	271,819	99,785	31,632
Non-controlling interests		56,077	53,704	-	-
		384,930	325,523	99,785	31,632
Basic/Diluted earnings per ordinary share (sen)	22	165.62	137.36		
Profit for the year		384,930	325,523	99,785	31,632
Other comprehensive income/(expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
- Foreign currency translation differences for foreign operations		18,359	25,627	-	-
- Cash flow hedge		(4,763)	347	-	-
Total other comprehensive income for the year	23	13,596	25,974	-	-
Total comprehensive income for the year		398,526	351,497	99,785	31,632
Total comprehensive income attributable to:					
Owners of the Company		343,756	297,750	99,785	31,632
Non-controlling interests		54,770	53,747	-	-
		398,526	351,497	99,785	31,632

End Of Page